

ProjectFinance

Windsor-Essex: Never mind the DRIC

19 January 2011

The Windsor-Essex Parkway was one of the most sought after PPP deals in Ontario in 2010. Sponsors and banks bent over backwards to bid on the C\$1.2 billion (\$1.2 billion) deal – **the province's first availability-based road concession**. The ACS, Acciona and Fluor-led Windsor Essex Mobility Group won the 30-year design-build-finance-maintain concession in November and reached financial close on a C\$1.1 billion debt package, which complemented C\$120 million in equity, the next month.

The 11km parkway will connect Highway 401, the main road between Windsor and Toronto, to the proposed Detroit River International Crossing (DRIC). The project is designed to shift cross-border traffic away from local streets, which all traffic must use to access the existing Ambassador Bridge and the Detroit-Windsor Tunnel crossings. It includes construction of a six-lane limited access highway as well as adjacent parks and community space. Infrastructure Ontario and the province's Ministry of Transportation were the grantors....

The controversy surrounding the DRIC is of little concern to ACS, Acciona and Fluor. **Their availability payment stream is guaranteed by the province whether or not the new bridge is ever built. In fact, Ontario is already studying ways to connect Windsor-Essex to the existing Ambassador crossing as a contingency.** In the meantime, the deal establishes a positive precedent for Canadian road PPPs that should bode well for projects in the pipeline, for example the in procurement Highway 407 East Extension.

Windsor Essex Mobility Group

Status: Closed 15 December 2010

Size: C\$1.2 billion (\$1.2 billion)

Location: Windsor, Ontario

Description: 30-year availability-based DBFM concession for an 11km limited access highway connecting Highway 401 to a new international crossing over the Detroit River.

Awarding authorities: Infrastructure Ontario and the Ontario Ministry of Transportation

Sponsors: ACS Infrastructure (33%), Acciona (33%) and Fluor (33%)

Equity: C\$120 million

Debt: C\$954 million construction loan and a C\$166 million soft-miniperm

Lenders: BNP Paribas, BTMU, Banesto, Caja Madrid, Credit Agricole, Dexia, ING, Santander, SG and WestLB

EPC contractors: Acciona, Dragados and Fluor

Financial adviser: Royal Bank of Canada

Legal counsel: Fasken Martineau (lenders) and Torys (sponsors)

Technical adviser: Scott & Wilson and URS

Insurance adviser: Willis

Infrastructure
Canada

Canada

News Release

■ Background

September 25, 2002

\$300 MILLION CANADA-ONTARIO INVESTMENT AT THE WINDSOR GATEWAY

WINDSOR, Ontario - Prime Minister Jean Chrétien and Ontario Premier Ernie Eves signed a Memorandum of Understanding (MOU) today, and committed \$300 million over the next 5 years as part of a joint investment to upgrade existing infrastructure on the Ontario approaches to the Windsor-Detroit border crossings.

"The Windsor gateway is a priority for all of Canada. We must make sure that we have the infrastructure in place to meet the needs of the Canadian economy in the 21st century," Chrétien said. "This investment will also enable Canada to take full advantage of initiatives such as FAST and NEXUS that we have agreed to with the United States under the Smart Border Action Plan. I am also pleased that the Windsor Gateway will be the first investment for the federal government under the new \$600 million Border Infrastructure Fund."

"Our border crossings are the life-line of economic growth and prosperity in Ontario, and we must ensure that goods, services and people flow smoothly between Michigan and Ontario," Eves said. "We will continue to work with our federal and municipal partners and the private sector to develop a plan that will reduce traffic congestion and facilitate cross-border trade through this gateway."

Two-way trade between Ontario and Michigan was more than \$97 billion in 2000 and up to 1 million jobs in Ontario depend on exports to Michigan. Ontario exports to Michigan increased for the fourth consecutive year in 2000, reaching almost \$67.5 billion. Over 20 million vehicles, cars and trucks cross the Windsor-Detroit gateway every year.

As part of today's announcement, a joint federal-provincial committee will be established to identify, consult on and recommend projects to Canada and Ontario over a 60-day period. During this period, stakeholder and public input will be welcomed to identify priority infrastructure projects, including partnerships with public and private sector interests, to improve the existing border crossings and their approaches.

This MOU complements the Canada - United States - Ontario - Michigan Bi-National Partnership process currently underway, by Canada, the United States, Michigan and Ontario, to identify, evaluate and select long term alternatives to expand capacity at the Windsor-Detroit gateway, including new border crossings.

Federal funding for this project was provided for in the December 2001 budget and is therefore built into the existing fiscal framework.

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BACKGROUNDER

Windsor Gateway Action Plan

The Windsor Gateway is Canada's single most important trade crossing. 31% of Canada-US truck trade (two-way, imports and exports) uses the Windsor crossing.

In 2001, the Windsor Gateway accounted for:

- 25% of total truck volume between Canada and the United States (truck volume is considered the single most important measure of border importance);
- Nearly 30% of Canada's \$182 billion CDN exports by road (by value); and
- Over 32% of Canada's \$211 billion CDN imports by road (by value).

Canada - United States trade has more than doubled from 1991 to 2001. Annual two-way merchandise trade totals over \$570 billion CDN. This has led to strains in the capacity of the Canada - United States border system to expedite the flow of goods and people in an efficient manner.

Canada and Ontario have undertaken the following course of action to address the immediate infrastructure pressures at the Windsor Gateway:

- On September 25, 2002, \$300 million in funding was provided for infrastructure improvements, to be cost-shared equally over 5 years;
- Canada and Ontario appointed a Joint Management Committee on September 25, 2002, to develop an Action Plan to identify and evaluate solutions to immediate congestion issues; and
- Canada and Ontario will soon be announcing a decision on next steps based on their review of the Action Plan submitted by the Joint Management Committee.

Over the past 60 days, the Committee met nine times in Windsor, Toronto and Ottawa to build its understanding of the issues and opportunities:

- A tour of the region was conducted by City staff;
- A series of bilateral meetings were held with key stakeholders and interest groups, including municipalities, existing bridge, tunnel and ferry operators, proponents and industry (10 bilateral meetings);
- A stakeholder workshop was held with the participation of 18 groups representing a broad range of business and community interests;
- A notice was issued in local media inviting public comment and input into the committee's deliberations (over two dozen submissions received);
- Observers attended a public meeting organized by the City (almost 60 feedback forms were received)

The Action Plan developed by the Joint Management Committee will complement the Bi-National Partnership process that is currently underway, involving Canada, the United States, Michigan and Ontario. The Action Plan examines short and medium-term solutions to congestion and capacity issues, while the Bi-National process has a longer-term focus.

The federal share of the investment will come from the \$600 million Border Infrastructure Fund established in Budget 2001, which is the responsibility of the Honourable Allan Rock. Minister Rock announced the parameters of the Border Infrastructure Fund on August 9, 2002.

The provincial share will come from the Ontario government's five-year, \$20-billion SuperBuild Initiative, designed to facilitate the largest infrastructure-building program in Ontario's history.



News Release

■ Backgrounder | Map of the Windsor Gateway Action Plan

May 27, 2003

CANADA AND ONTARIO ANNOUNCE NEXT STEPS AT WINDSOR GATEWAY

WINDSOR, Ontario - Recognizing the economic importance of the Windsor Gateway and the need to improve the approaches to the border crossings, the Governments of Canada and Ontario today announced the next steps in the implementation of the Windsor Gateway Action Plan.

The initiatives announced today follow from the Memorandum of Understanding (MOU) signed by Prime Minister Jean Chrétien and Premier Ernie Eves on September 25, 2002 to provide \$300 million over the next five years to upgrade infrastructure approaches on the Ontario side of the border.

"I am very grateful to the residents of Windsor, LaSalle and Essex County for the input that we received so far in this process," said federal International Cooperation Minister Susan Whelan. "As we move ahead, our work will continue to be guided by the need to enhance the efficiency, security and safety of the Windsor Gateway crossings, while minimizing the environmental and health impacts on the residents of the community."

"I believe that the initiatives announced today will improve the efficiency of the Windsor Gateway with better access to the border crossings and enhance the quality of life in the local community," said Ontario Transportation Minister Frank Klees. "Our ability to move goods across the border is critical to Ontario's continued economic prosperity. This plan will help ease congestion in the short and medium term while we move ahead with the Bi-National Planning Process."

The Governments of Canada and Ontario have agreed upon the following nine point plan:

1. Province will assume full responsibility for E.C. Row Expressway between Lauzon Parkway and Ojibway Parkway, and will widen it by one lane in each direction.
2. Province will assume full responsibility for Lauzon Parkway south of E.C. Row Expressway and will extend/upgrade the highway from Highway 401 to E.C. Row.
3. Work together with the City of Windsor and Town of LaSalle on improvements to Highway 3/Huron Church Road, including the grade separation of the Tecumseh Road intersection north of E.C. Row Expressway, pedestrian overpasses at key locations and the grade separation of all major intersections between Highway 401 and E.C. Row Expressway to improve the flow of traffic and enhance the safety of residents.
4. Work together with proponents, the Canadian Transit Company (Ambassador Bridge) and the Detroit River Tunnel Partnership in their efforts to build connections to the border crossings, concurrent with the Bi-National Planning Process.
5. Work together with partner agencies to accelerate the Bi-National Planning Process, and work with all proponents of new border crossing capacity, including the Canadian Transit Company (Ambassador Bridge), the Detroit River Tunnel Partnership and Mich-Can, in the context of this process.
6. Seek the City of Windsor's commitment that it will put in place arrangements to support the redevelopment of Windsor-Detroit tunnel plaza to meet the growing needs of the Windsor-Detroit community.
7. Promote the development of commercial vehicle pre-processing and staging areas to expedite and

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improve the flow of trucks across the border.

8. Develop and implement a plan for the deployment of technology that will facilitate the flow of traffic and enhance access to the border.
9. Work in cooperation with City of Windsor, Town of LaSalle, Town of Tecumseh, County of Essex and any other municipality affected by this plan.

"Collaboration with the private sector, the community and local governments will ensure that infrastructure investments improve access to the border crossings as quickly as possible, for the quality of life of the community" said federal Industry Minister and Minister responsible for Infrastructure, Allan Rock. "This initiative is very much part of the overall Canada-U.S. strategy to make the border safe and effective for trade. This brings the Government of Canada's recent commitment to improving border crossings in Ontario to \$305 million."

"The infrastructure investment announced today is part of a broader package of initiatives intended to improve the efficiency of the Windsor Gateway," said Ontario Finance Minister and Minister responsible for SuperBuild, Janet Ecker. "This will provide short-term improvements as well as support the longer term Bi-National Planning Process."

"Intelligent transportation systems and upgrades to Gateway approaches will help reduce congestion," said federal Transport Minister David Collenette. "This announcement also complements the Bi-National Planning Process to examine long-term solutions for new and improved border crossings."

"This is a huge step forward in addressing the concerns at our busiest border crossing," said Ontario Enterprise, Opportunity and Innovation Minister Jim Flaherty. "We know how important it is for industry to have efficient border crossings to keep and create jobs, and today's announcement is the next step in securing Ontario's economic competitiveness."

The Windsor Gateway Action Plan complements the Canada-Ontario-United States-Michigan Bi-National Partnership Planning Process currently underway to develop a longer-term strategy for the Windsor-Detroit Gateway. The Governments of Canada and Ontario continue to support the bi-national process which will address the longer-term capacity requirements for the Windsor-Detroit Gateway. Canada and Ontario will work with all proponents for new border capacity within the context of the bi-national planning process.

Project implementation shall comply with all applicable laws and regulations and be subject to securing all appropriate authorizations.

In 2002, the Windsor Gateway accounted for 25% of total truck volume between Canada and the United States. Over 20 million cars, trucks and buses cross the border at the Windsor Gateway every year.

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BACKGROUND

NEXT STEPS AT THE WINDSOR GATEWAY

"The Windsor-Detroit crossings are a vitally important link for Ontario's economy and we are pleased that the federal and provincial governments are moving ahead cooperatively on this issue," said Len Crispino, President & CEO, Ontario Chamber of Commerce. "Enhancing the border crossings is an important step towards increasing Ontario's prosperity."

David Bradley, CEO of the Canadian Trucking Alliance and President of the Ontario Trucking Association welcomed today's announcement saying, *"The Windsor-Detroit gateway is the single most important border crossing for trade in the world. For Canada it is our economic lifeline. By creating greater freeway access to the border, and providing the potential for additional private sector investments in border-crossing capacity, the infrastructure improvements contained in today's announcement will significantly improve the flow of trade at Windsor-Detroit, so much of which is time-sensitive freight, to the benefit of the local, provincial and national economy."*

"The automotive industry strongly supports the infrastructure plan announced today by the Government of Canada and the Province of Ontario, as it recognizes the critical national importance of the Windsor-Detroit border crossings for Canada's trade with the United States now and into the future. These investments will reduce traffic congestion in the short term and will form an effective platform for private sector partnerships to pursue additional border crossing infrastructure," said Mark Nantals, President of the Canadian Vehicle Manufacturers' Association.

"We at DaimlerChrysler Canada applaud the federal and Ontario governments for demonstrating leadership to improve border infrastructure in the Windsor area and look forward to timely implementation of the plan announced today," said Ed Brust, Chairman, President and CEO, DaimlerChrysler Canada and Chair of the Canadian Automotive Partnership Council Trade Infrastructure Subcommittee. "These joint initiatives by governments provide for short and medium-term solutions and further associated improvements through partnerships with appropriate stakeholders," Mr. Brust added.

The Windsor Gateway is Canada's single most important trade crossing. Thirty-three per cent of Canada-U.S. truck trade (two-way, imports and exports) uses the Windsor crossing. B6

Context

In 2002, the Windsor Gateway accounted for:

- 25% of total truck volume between Canada and the United States (truck volume is considered the single most important measure of border importance);
- Nearly 30% of Canada's \$192 billion CDN exports by road (by value); and
- Over 38% of Canada's \$170 billion CDN imports by road (by value).

Canada - United States trade has more than doubled from 1991 to 2001. Annual two-way merchandise trade in 2001 totalled over \$570 billion CDN. This has led to strains in the capacity of the Canada - United States border system to expedite the flow of goods and people in an efficient manner. In 2002, 80.7 million vehicles used 14 international border crossings between Ontario and the U.S.

Since summer 2002, Canada and Ontario have jointly taken a number of actions to address congestion at the Windsor Gateway:

- In July 2002, \$880,000 was committed for immediate improvements on the Huron Church Road/Highway 3 corridor;
- On September 25th, 2002, \$300 million in funding was announced for infrastructure improvements, to be cost-shared equally over 5 years;
- Canada and Ontario appointed a Joint Management Committee to identify potential projects, consult with stakeholders and the public, and report back with an Action Plan within 60 days.
- On November 25, 2002, the Joint Management Committee submitted a proposed "Action Plan for a 21st Century Gateway" to the Governments of Canada and Ontario. This proposed Action Plan was subsequently released publicly on December 20, 2002.
- On January 25 and February 1, 2003, Canada and Ontario held community workshops in Windsor to provide area residents the opportunity to provide comments on the Action Plan.

As Canada and Ontario move forward with the implementation of this plan, consultation will continue with the City of Windsor, the Town of LaSalle, the Town of Tecumseh and Essex County.

The Governments of Canada and Ontario will also work to expedite decisions on the longer-term cross border options through the Bi-National planning process in order to meet increased trade in goods between Canada and the U.S.

The final Windsor Gateway Action Plan released today will complement the Bi-National Partnership process that is currently underway, involving Canada, the United States, Michigan and Ontario. The Action Plan examines short-term solutions to congestion and capacity issues, while the Bi-National process has a longer-term focus.

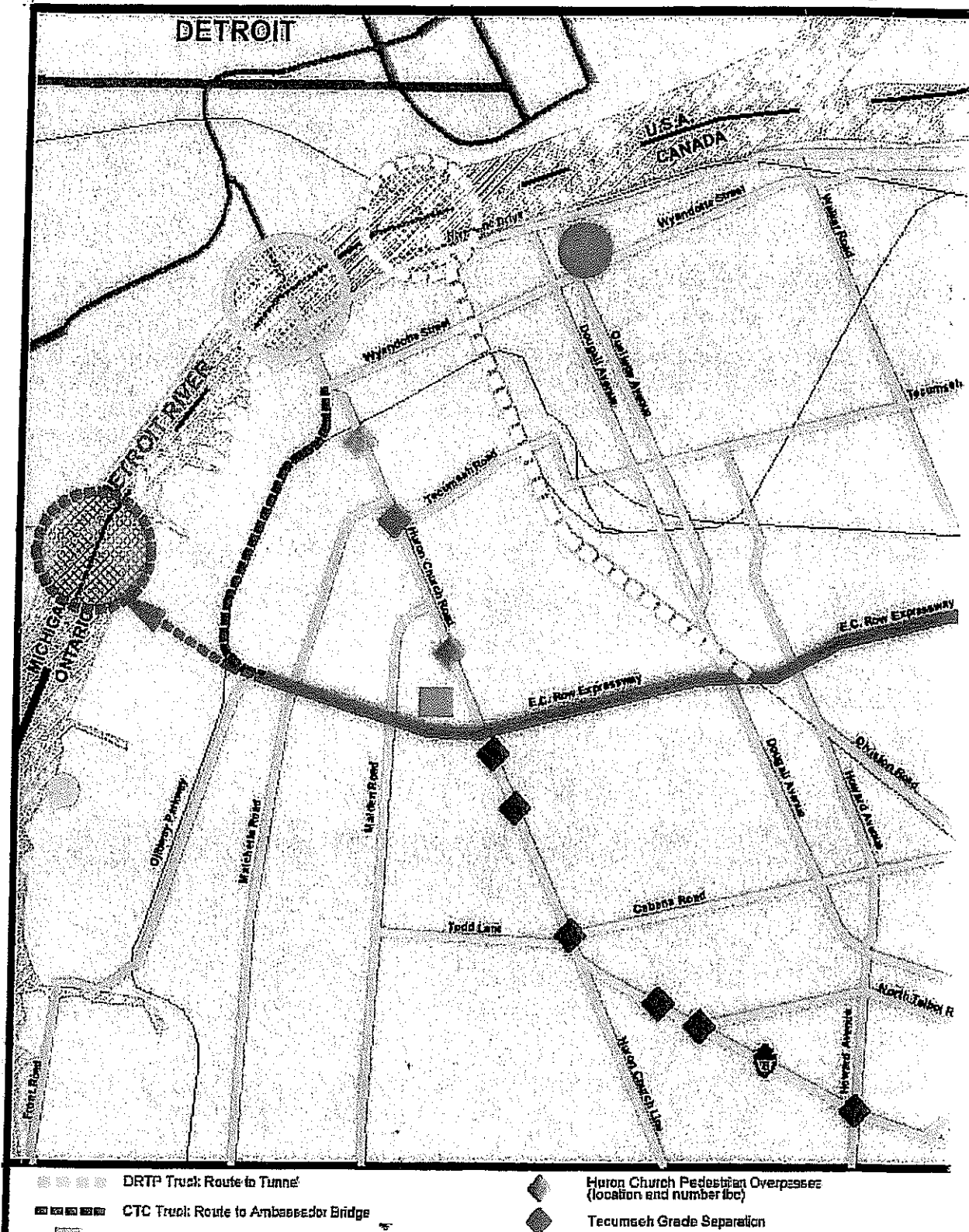
All projects will be subject to the relevant approval requirements under federal and provincial legislation including, where applicable, the Canadian Environmental Assessment Act and the Ontario Environmental Assessment Act.

The Government of Canada's share of the investment will come from the \$600 million Border Infrastructure Fund established in Budget 2001, which is the responsibility of the Honourable Allan Rock, Minister of Industry and Minister responsible for Infrastructure. Minister Rock announced the parameters of the Border Infrastructure Fund on August 9, 2002.

Map of the Windsor Gateway Action Plan

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Windsor Gateway A



Canada



News Release

For immediate release
December 20, 2002

CANADA AND ONTARIO WELCOME WINDSOR GATEWAY ACTION PLAN RECOMMENDATIONS

WINDSOR, Ontario — The governments of Canada and Ontario today released the Joint Management Committee's Windsor Gateway Action Plan to relieve congestion and improve traffic flow at the existing border crossings.

The Action Plan was presented to the governments of Canada and Ontario on November 25, 2002 at the conclusion of the Committee's 60-day mandate. During this period, the Committee identified potential projects and consulted with stakeholders. The Action Plan provides recommendations for a comprehensive approach to the Windsor Gateway, with a focus on short and medium-term solutions. The four pillars of the Action Plan include:

- Improved border processing;
- Effective use of technology and traffic management;
- Investments in infrastructure improvements; and
- Commitment to ongoing coordination.

"The recommendations in the Action Plan are intended to help develop the Windsor Gateway into a model international gateway for the 21st century, improving the secure flow of people and goods across the Canada – U.S. border while considering the interests of the community," said Industry Minister Allan Rock.

"Area residents and those businesses that rely on trade with the U.S. know that improvements have to be made to tackle local congestion and to move people and goods across the border at Windsor," Ontario Transportation Minister Norm Sterling said. "We are committed to working closely with the community as we consider the Action Plan and work to address the immediate infrastructure pressures at the Windsor Gateway."

"Our vision includes a balanced and integrated transportation system where highway, road, rail and ferry all play a role in the movement of people and goods across the border," declared Transport Minister David Collenette. "The Gateway should seamlessly and efficiently connect all transportation modes to meet industry and community needs."

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In order to advance the strategy for a model Gateway, the Action Plan proposes the appointment of an individual to lead the implementation of the recommendations. One of the individual's first tasks would be to develop a public engagement and outreach program to give the people of Windsor/Essex opportunities to comment on elements of the Action Plan.

"Our governments intend to work closely with various partners, including the Canadian Transit Company, the Detroit River Tunnel Partnership, and the City of Windsor," said Ontario Finance Minister Janet Ecker. "These partnerships will help us to better address the concerns of the local community and ensure the long-term viability of the crossings."

"Windsor and Essex County residents want to see only the best solutions to pressing congestion problems implemented at the Windsor Gateway," said International Cooperation Minister Susan Whelan. "We will need to continue our review of the recommendations to ensure implementation in a manner that significantly improves the situation for all area citizens."

"We know that investments in transportation infrastructure and in new technology are required to bring both near-term and long-term benefits to the citizens of Windsor and Southern Ontario," said Ontario Enterprise, Opportunity and Innovation Minister Jim Flaherty. "Improvements to the Windsor Gateway will strengthen the region's reputation as a leading commercial hub."

The Government of Canada and the Province of Ontario are providing \$300 million over the next five years under the Border Infrastructure Fund and the Ontario SuperBuild initiative respectively, to upgrade infrastructure on the Ontario side of existing border crossings. These improvements are part of the Memorandum of Understanding signed by Prime Minister Jean Chrétien and Ontario Premier Ernie Eves on September 25, 2002.

The governments will continue their review of the Action Plan, and make a decision on its implementation in the New Year.

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The Windsor Gateway Action Plan including the complete list of the Joint Management Committee's recommendations can be found on the following web sites:

Government of Canada : www.infrastructurecanada.gc.ca

Government of Ontario : www.mto.gov.on.ca

BACKGROUNDER

WINDSOR GATEWAY ACTION PLAN

The Action Plan

The governments of Canada and Ontario are pleased to release the Windsor Gateway Action Plan recommendations to relieve congestion and improve traffic flow at the Windsor Gateway:

Improved Border Processing

The recommendations recognize and support the work being done by American and Canadian agencies to develop and deploy new systems that will maximize the capacity of existing infrastructure to reduce congestion and inefficiencies at the border. Southern Ontario should be given high priority for the early deployment of these new technologies and advanced processes. The Action Plan recommends pursuing the establishment of staging and pre-processing facilities for commercial traffic at strategic locations in the Windsor area.

Effective Use of Technology and Traffic Management

Intelligent Transportation Systems (ITS) would improve the performance of existing infrastructure and could be implemented in the short term. An ITS strategy should be developed in collaboration with the key Gateway partners, including the various levels and agencies of government, along with border crossing owners and operators. The strategy would develop advanced traffic management systems, integrate those systems with border processing systems, and improve traveller information services such as changeable message signs.

Investments in Infrastructure Improvements

A four-part infrastructure strategy has been outlined in the Action Plan.

First, investments would be made in core infrastructure that will serve both current and potential future crossings while taking account of local community interests by:

- a) Building a public, truck-only parkway between Highway 401 and the EC Row Expressway using the Canada Southern Railway Company (CASO) Rail corridor;
- b) Expanding by one lane in each direction the EC Row Expressway between the CASO Rail corridor and the Ojibway Parkway; and
- c) Making operational improvements to Highway 3/Huron Church Road by building grade-separated intersections and pedestrian crossings at various locations to be determined.

Second, the Committee recommends that governments work with private proponents to improve access to border crossings, increasing choice and flexibility for travellers by:

- a) Working with the Canadian Transit Company/Ambassador Bridge, in collaboration with the City of Windsor and the local community, to pursue the development of a dedicated truck route from Ojibway Parkway at the EC Row Expressway to the Ambassador Bridge; and
- b) Working with Detroit River Tunnel Partnership, in collaboration with the City of Windsor, U.S. authorities and the local community, to pursue development of a dedicated truck route between EC Row Expressway and the US, including the conversion of existing rail tubes to accommodate truck traffic.

Third, the Committee recommends that governments work with the City of Windsor to address priorities for enhancing linkages between local systems and Gateway infrastructure by:

- a) Working in partnership with the City of Windsor to identify opportunities and address priorities that support both economic development as well as local and

Gateway transportation improvements, such as construction of the Lauzon Parkway Extension from EC Row to Highway 401 and road/rail grade separation at Walker Road and the CP Rail main corridor; and

- b) Seeking to maximize the efficiency of the existing Windsor-Detroit Tunnel by encouraging efforts, including long-term lease arrangements between the City of Windsor and its operator, to facilitate the necessary investment for the redevelopment of the plaza to meet the growing needs of the Windsor-Detroit community.

Fourth, the Action Plan supports multi-modal transportation and increased flexibility and choice in the Gateway by:

- a) Encouraging the continuation of efforts by the Detroit-Windsor Truck Ferry to expand its role in the Gateway;
- b) Encouraging proponents of new border crossings, such as Mich-Can International Bridge Company, and Skylink International to advance their projects through the Bi-National Planning Process; and
- c) Encouraging improved freight and passenger rail links into Windsor.

Infrastructure improvements will be subject to approval under relevant federal and provincial environmental assessment legislation.

Commitment to Ongoing Coordination

It is necessary to ensure that the Gateway functions as a single system with many integrated, complementary parts. The recommendation is to promote the creation of a coordinating mechanism for the Gateway that will set priorities, develop strategies, coordinate between partners, communications systems, traffic management systems and information centres.

Moving Forward

The Committee recommends that the governments pursue the goals set out in the Action Plan by:

- o Supporting the continued development of advanced border processes;
- o Pursuing proposals for staging and pre-processing facilities for commercial vehicles;
- o Appointing a committee to begin discussions on the development of an ITS strategy for the Windsor Gateway and to identify specific projects for immediate action;
- o Appointing an individual to work with federal, provincial and local governments, proponents, stakeholders and the local community to oversee the implementation

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of the Action Plan recommendations, including the negotiation/development of detailed proposals and the development of an appropriate ongoing coordinating mechanism;

- o Committing to harmonize environmental assessment processes;
- o Initiating community and public consultation on a priority basis;
- o Working to expedite approval processes and land acquisition; and
- o Encouraging all parties to accelerate the Bi-National Planning Process.

Outcomes

Immediate outcomes would include:

- The creation of truck staging and pre-processing facilities;
- The deployment of technology to increase efficiency; and
- The construction of grade separated intersections and pedestrian crossings at key bottlenecks along Highway 3/Huron Church Road.

Outcomes after five years would include:

- The elimination of all international truck traffic from Huron Church Road north of EC Row Expressway;
- A significant reduction in volume of international truck traffic on Huron Church Road/Highway 3 south of EC Row Expressway; and
- Improvements to Windsor's transportation network to provide additional choice and flexibility to all users and support local economic development.

The governments will continue their review of the Action Plan, and make a decision on its implementation in the New Year.

Context

On September 25, 2002, \$300 million in funding was committed for infrastructure improvements, to be cost-shared equally over 5 years. At that time, Canada and Ontario appointed a Joint Management Committee to develop an Action Plan to identify and evaluate solutions to immediate congestion issues. The Joint Management Committee submitted the Action Plan the Government of Canada and the Government of Ontario for review on November 25, 2002.

The Action Plan developed by the Joint Management Committee complements the *Bi-National Partnership* process that is currently underway, involving Canada, the United States, Michigan and Ontario. The Action Plan examines short-term solutions to congestion and capacity issues, while the Bi-National process has a longer-term focus.

The Government of Canada's investment will come from the \$600 million *Border Infrastructure Fund* established in Budget 2001, and is the responsibility of Industry Minister Allan Rock. Minister Rock announced the parameters of the Border Infrastructure Fund on August 9, 2002. For more information about the Border

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Infrastructure Fund, please visit the Infrastructure Canada website at www.infrastructurecanada.gc.ca.

The provincial share will come from the Ontario government's five-year, \$20-billion SuperBuild initiative, designed to facilitate the largest infrastructure-building program in Ontario's history. For more information about this program, please visit www.SuperBuild.gov.on.ca.

The Windsor Gateway

The Windsor Gateway is Canada's single most important trade crossing with 31% of Canada-United States truck trade (two-way, imports and exports) using the Windsor crossing.

In 2001, the Windsor Gateway accounted for:

- 25% of total truck volume between Canada and the United States (truck volume is considered the single most important measure of border importance);
- Nearly 30% of Canada's \$182 billion CDN exports by road (by value); and
- Over 32% of Canada's \$211 billion CDN imports by road (by value).

Canada – United States trade has more than doubled from 1991 to 2001. Annual two-way merchandise trade totals over \$570 billion CDN. This has led to strains in the capacity of the Canada – United States border system to expedite the flow of goods and people in an efficient manner.

For more information visit the Infrastructure Canada website at www.infrastructurecanada.gc.ca and at the Ontario Ministry of Transportation's website at www.mto.gov.on.ca.

Windsor Gateway:

An Action Plan for a 21st Century Gateway

Executive Summary

Canada-Ontario Joint Management
Committee

Canada

 Ontario

The Windsor Gateway

Action Plan Executive Summary

Our Vision is to develop a model international gateway for the 21st Century facilitating the movement of people and goods based on collaboration and taking account of community interests. It embodies the following attributes:

- ***Fast***, reducing congestion and minimizing the mixing of international and local traffic;
- ***Efficient***, allowing low-risk commercial and passenger traffic to move quickly through the gateway, while improving our ability to target resources at higher risk traffic;
- ***Continuous***, linking the highway to the border;
- ***Integrated***, operating as a single system across all border crossings in the region, with seamless connections to the various approaches, and ultimately with the United States;
- ***Secure***, protecting the interests of the two nations, of users and of the infrastructure itself;
- ***Multi-modal***, allowing highway, road, rail, ferry and other modes of transportation to play their appropriate role in the movement of people and goods; and
- ***High-tech***, using state-of-the-art technology to manage the border, the approaches and to provide information to users.

Immediate Outcomes of Vision would include:

- Creation of truck staging and pre-processing facilities;
- Deployment of technology to increase efficiency of transportation system; and
- Construction of grade separated intersections and pedestrian crossings at key bottlenecks along Highway 3/Huron Church Road.

Outcomes After 5 Years would include:

- Elimination of all international truck traffic from Huron Church Road north of EC Row Expressway;
- Significant reduction in volume of international truck traffic on Huron Church Road/Highway 3 south of EC Row Expressway; and
- Improvements to Windsor's transportation network to provide additional choice and flexibility to all users and support local economic development.

The Four Pillars of the Action Plan include:

- I. Improved Border Processing;
- II. Effective Use of Technology and Traffic Management;
- III. Investments in Infrastructure Improvements; and
- IV. Commitment to Ongoing Coordination.

I. IMPROVED BORDER PROCESSING

Recommendations

1. Canada and the United States should continue the **development and deployment of new border systems and processes** to expedite the processing of low risk traffic and target resources to higher risk traffic.
2. **Southern Ontario should be a high priority** for the early deployment of new generation processes and technologies.
3. Federal agencies on both sides of the border should strive to **ensure resources are available to address traffic demand**. It would be desirable to **establish measurable performance standards** for processing cross-border traffic.
4. The establishment of **staging and pre-processing facilities for commercial traffic** should be pursued, both inside the city of Windsor and on the approaches to the city.

Benefits

- **Process improvements are essential to maximizing existing infrastructure capacity and reducing congestion on Huron Church Road/Highway 3 in the short term.**

II. EFFECTIVE USE OF TECHNOLOGY AND TRAFFIC MANAGEMENT

Recommendations

1. Develop an Intelligent Transportation Systems (ITS) strategy for the Windsor Gateway based on collaboration with:
 - a. customs and immigration agencies to **integrate traffic management systems with border processing systems**;
 - b. bridge, tunnel and ferry operators, customs and immigration agencies, and road authorities to **stream traffic efficiently through border crossings** by establishing traveller information services, including changeable message signs at key decision points, travel advisory radio and web-based services; and
 - c. road authorities and emergency service providers to **implement traffic management systems on gateway approaches**, including adaptive traffic signals, incident detection and response.

Benefits

- Can be implemented in short term; and
- Improves performance of existing infrastructure.

III. INVESTMENTS IN INFRASTRUCTURE IMPROVEMENTS

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Recommendations

Implement a four-part infrastructure strategy, including:

1. Investments in core infrastructure for the Windsor Gateway that would serve both current and potential future crossings while taking account of local community interests. This would involve investments to:
 - a. build a public, truck-only parkway between Highway 401 and the EC Row Expressway using the CASO Rail corridor, including necessary interchanges/grade separations, while diverting rail traffic to the CP main line;
 - b. expand by one lane in each direction the EC Row Expressway between the CASO Rail corridor and the Ojibway Parkway; and
 - c. make operational improvements to Highway 3/Huron Church Road, on an urgent basis, by building grade-separated intersections and pedestrian crossings at various locations to be determined.

Benefits

- Core infrastructure would improve access to existing crossings at the Ambassador Bridge and the truck ferry as well as support the DRTP tunnel proposal and the Mich-Can bridge location; and
- Enhances quality of life for the Windsor and Essex County community by improving access, ease of movement.



2. Improved Access to Border Crossings:

a. Work with the Canadian Transit Company (CTC)/ Ambassador Bridge, in collaboration with the City of Windsor and the local community, to pursue the development of a dedicated truck route from Ojibway Parkway at EC Row Expressway to the Ambassador Bridge.

- Route could go west to the Essex Terminal Railway line and then north along rail/hydro corridor to connect with bridge.
- Canada and Ontario would provide technical assistance and support to the CTC in their pursuit of the proposed improvements.
- CTC would be encouraged to expand the Industrial Drive commercial vehicle customs plaza to accommodate primary and, possibly, secondary inspection.

Benefits

- Provides a secure, efficient truck route to border crossing; and
- Relieves traffic congestion on Highway 3/Huron Church Road while continuing passenger traffic through the City of Windsor.

b. Work with DRTP, in collaboration with the City of Windsor, U.S. authorities and the local community, to pursue development of a dedicated truck route between EC Row Expressway and the US, including:

- Conversion of the existing rail tubes to accommodate trucks;
- Canada and Ontario would provide technical assistance and support to the DRTP in their pursuit of the proposed improvements; and
- DRTP to construct new commercial vehicle customs plaza and secure truck route between plaza and tunnel.

Benefits

- Opportunity for increased choice and flexibility; and
- Offers secure and efficient truck route to border crossing.

3. Improved linkages between local system and Gateway Infrastructure:

- a. Work in partnership with the City of Windsor to identify opportunities and address priorities that support economic development as well as local and Gateway transportation improvements, such as:
- Construction of Lauzon Parkway Extension from EC Row to Highway 401; and
 - Road/rail grade separation at Walker Road and CP Rail main corridor.

Benefits

- Impetus for new economic development;
 - Improves access for residents and businesses in east Windsor and neighbouring municipalities; and
 - Improves traffic flow.
- b. Maximize the efficiency of the existing Windsor-Detroit Tunnel and ensure it remains a core component of the Gateway infrastructure; encourage efforts, including long-term lease arrangements between the City of Windsor and its operator, to facilitate the necessary investment for the redevelopment of the plaza to meet the growing needs of the Windsor-Detroit community.

Benefits

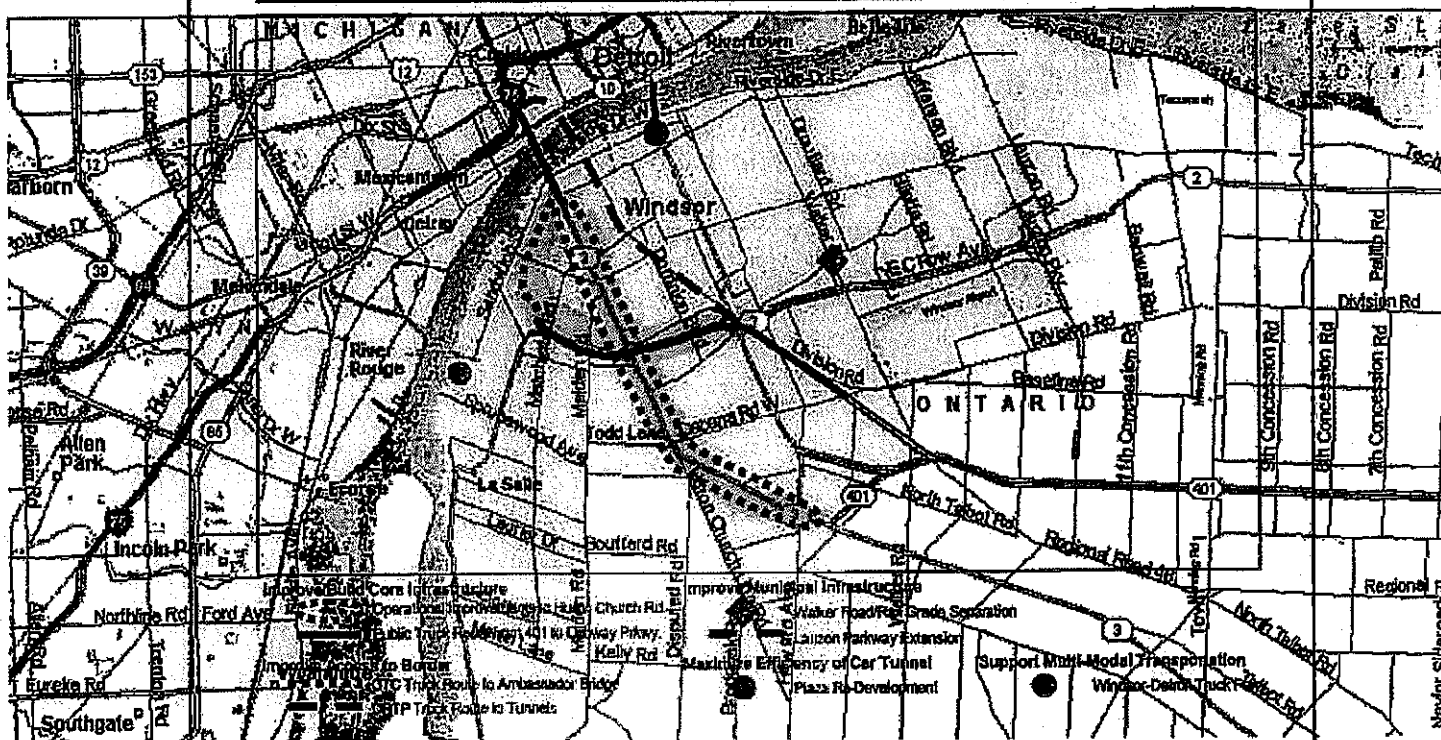
- Supports the vision of an integrated system - ensures efficient flow of commuter and passenger vehicles across border;
- Improves the quality of life and the economic opportunities in Windsor/Essex County;
- Promotes long-term viability of crossing; and
- Provides similar operating arrangements for both the Canadian and U.S. sides of the tunnel.

4. Support for multi-modal transportation and increased flexibility and choice by:

- a. Encouraging the continuation of efforts by the Detroit-Windsor Truck Ferry to expand its role in the Gateway;
- b. Encouraging proponents of new border crossings, such as Mich-Can International Bridge Company, and Skylink International to advance their projects through the Bi-National Planning Process; and
- c. Encouraging improved freight and passenger rail links into Windsor.

Benefits

- Promotes vision of an integrated system by ensuring the efficient flow of commercial and passenger vehicles across the border; and
- Provides opportunities for increased choice and flexibility.



IV. COMMITMENT TO ONGOING COORDINATION

Recommendations

1. Promote the creation of a coordinating mechanism for Gateway activities to:
 - a. set priorities, developing integrated strategies and pursuing projects;
 - b. work with private operators and public agencies; and
 - c. coordinate interoperability, communications systems, traffic management and information centres.

Benefits

- Ensures that the Windsor Gateway functions as a system with many integrated, complementary parts.

D11

MOVING FORWARD

The Action Plan recommends that the federal and provincial governments:

- Support improved border processes with the implementation of FAST and NEXUS, encouraging the allocation of resources by inspection agencies; encourage the development of performance measures by inspection agencies and pursue proposals for staging and pre-processing facilities;
- Appoint a committee of federal, provincial and municipal transportation representatives to begin discussions with other partners on the development of an ITS strategy for the Windsor Gateway and identify specific projects for action;
- Appoint an individual to work with federal, provincial and local governments, proponents, stakeholders and the local community to oversee the implementation of the Action Plan recommendations, including the negotiation/development of detailed proposals and the development of an appropriate ongoing coordinating mechanism;
- Establish dedicated project teams, with the necessary resources, in proponent ministries/agencies and regulatory agencies to aggressively pursue recommendations;
- Commit to harmonized environmental assessment processes;
- Initiate community and public consultation on priority basis;
- Work to expedite approval processes and land acquisition; and
- Encourage all parties to accelerate the Bi-National Planning Process.

E1

Sent: May 2, 2003 5:38 PM
To: CATS; TC:Ranger, Louis; TC:Burr, Kristine; TC:Frappler, Gerald; TC:Cherrett, Ted; TC:Roy, Guylaine; Levy, Bruce -NUE; Morin, Daniel -NUE; Fisher, Mark -NUE; Alexander, Vera -WSHDC -GR; Côté, Bertin -WSHDC -EC
Cc: TC:Rochon, Jacques; TC:Angus, Timothy; TC:Burch, Terry; TC:Fortin, Marc; TC:Greenough, Joe; TC:Jones, Keith; TC:LeCours, Jean; TC:Little, Jennifer; TC:Stacey, Colin; TC:Emile Watson, Lynda -WSHDC -TD; Boehm, Peter -WSHDC -GR; Coll, Terry -WSHDC -PA; Lambo, Pam -WSHDC -PA; TC:Borges, Helena; TC:Courtemanche, Denis; TC:Kochhar, Neil; Simmons, Roger -SEATL -HOM/GDM; Cook, Kevin -SEATL -GR; Toohey, Megan -BFALO -GR; Costaris, George -DTROT -GR; Becker, Mary Lynn -DTROT -GR; TC:Read, John; Tooze, Shella -WSHDC -EN; Hodges, Tim -WSHDC -EN
Subject: UNTD-0003: Report Minister Collenette's visit

Minister Collenette, accompanied by Deputy Minister Louis Ranger, ADM Kristine Burr, Directors General Gerry Frappier and Ted Cherrett, and the Minister's Chief of Staff Anthony Polci from TC together with Ambassador Kergin and Transportation Policy Counsellor, Audrey Tomick from the Embassy, had a productive meeting with Sec. Mineta and senior US DOT officials. Highlights of the meeting included the signing of a MOC between TC and DOT for co-operation on the Seaway as the Army Corps of Engineers undertakes a study of the current navigational and infrastructure condition of the Seaway, agreement that the DOT could be an interlocutor on transportation issues with DHS as required, that a joint strategy with DOT would be useful to promote short sea shipping, a firm mention by the Minister for continued funding for Shaktwak under TEA-21 reauthorization, enthusiastic support for Canadian participation in the Alaska Rail commission, and an understanding that both departments should work toward comparable but not identical rules on security and safety issues.

Highlights:

SHORT SEA SHIPPING:

The Minister suggested that both TC and DOT should co-operate on a joint strategy for more trucking movement across the Great Lakes by way of roll-on, roll-off ferries. Both countries are facing increasing levels in truck congestion on major routes so it would seem timely and useful to explore solutions using available water transport. The Minister mentioned the plan for a ferry from Rochester across Lake Ontario to Toronto as the type of project which should be encouraged, together with the potential for other points across the Lakes. DOT noted that private industry has plans to go down the NE seaboard, but that MARAD would be strongly supportive of a Great Lakes short sea shipping. Mention was also made of a similar route from Seattle to Victoria.

MOC ON THE SEAWAY

Both Albert Jacquez, US Administrator of the St. Lawrence Seaway and Major General Griffin, Director of Civil Works for the US Army Corps of Engineers were present for the signing of the MOC on Seaway co-operation. Maj Gen Griffin noted that the Army Corps was anxious to begin, but stressed that the Army Corps cannot mandate that its recommendations be carried out. Therefore, it was important to note that their study would give a baseline for a conceptual plan and scoping from which the Seaway could be evaluated. Griffin also noted that the Army Corps will comply fully with the 1992 Boundary Waters treaty. The MOC ensures that Canada can authorise the study in phases and set deliverables.

TEA-21 FUNDING:

The Minister noted that the US was leading the way on funding for investments in transportation, but that TC had been successful in getting about 75% of the government's funding for infrastructure. He noted that short term solutions are sometimes necessary (e.g., extending the 401 through Windsor to facilitate a truck-only route to the Ambassador Bridge to ease the current congestion on Huron Church Rd.), while undertaking bi-national planning processes for the medium and long term.

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WINDSOR BORDER INFRASTRUCTURE

E2

Issue

There is pressure on the Government of Canada to do more to improve border infrastructure in Windsor to ensure the smooth flow of goods and people, and to improve the quality of life of area residents.

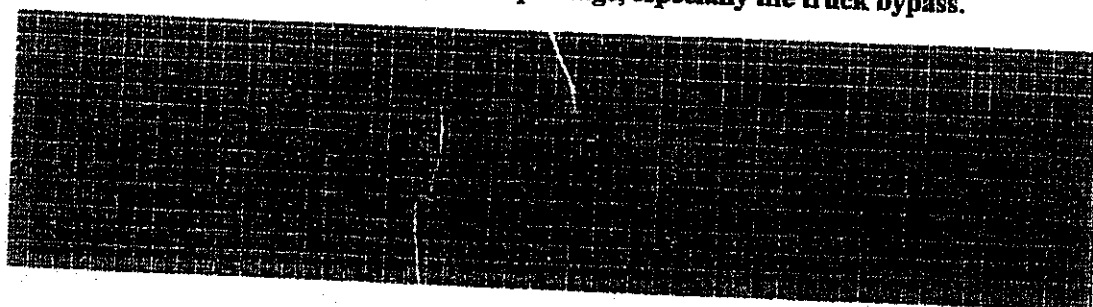
Background

Windsor-Detroit is the most important gateway between Canada and the US. While the extent and severity of border delays have gone down recently thanks to public and private initiatives, studies suggest that, by 2015, additional border crossing capacity (e.g., a new bridge) will be needed. Cognisant of the need to plan ahead, Canada, the US, Ontario and Michigan launched in May 2001 a bi-national planning process to determine where the additional border crossing should be located. The bi-national process is now in its environmental assessment phase and currently considering seven different locations. The list should be narrowed to two or three by late November 2005 and the recommended location should become known in 2007. If all goes well, it would be built by 2013.

A more immediate challenge is improving road access between Detroit-Windsor border crossings and Highway 401. Currently, trucks using the Ambassador Bridge must transit via city arterial roads (Huron Church Road/Talbot Road) to link up with Highway 401. This route goes through the heart of the City of Windsor (resulting in concerns about pollution, safety and noise) and can become congested at times.

To address this problem, Canada and Ontario committed a total of \$300M in 2002 (the \$150M federal contribution was sourced from the Border Infrastructure Fund (BIF)). Most of this funding has now been earmarked towards specific projects (e.g., improvements to the Windsor-Detroit Tunnel Plaza, road-rail grade separations, the widening of Highway 401 and environmental assessments).

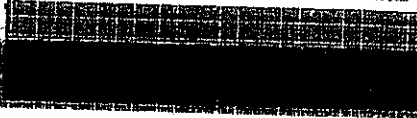
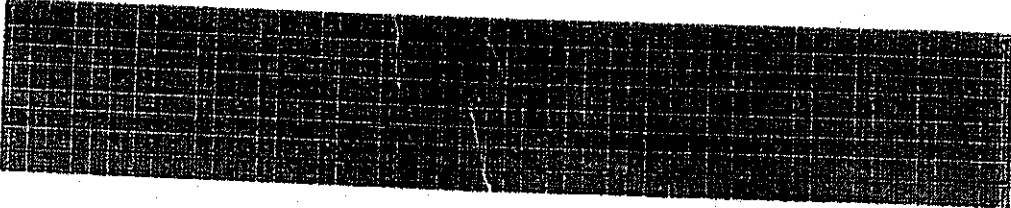
In January 2005, the City of Windsor released a report by a New York-based consultant (Sam Schwartz) that it had hired to come up with a plan to keep cross-border traffic moving, while at the same time mitigating the negative impacts of truck traffic on area residents. The report proposed an ambitious package of projects, including the construction of a grade-separated truck bypass and rail improvements. Firm cost estimates for the package are lacking, although the City has suggested that it would require \$1B from Canada and Ontario. The city leaders continue to push the federal government to commit funding to this package, especially the truck bypass.



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E-3

Suggested Talking Points

- The federal government is well aware of the critical importance of the Windsor-Detroit Gateway and the need to improve it.
- The federal government is taking a two-pronged approach:
 - (1) For the long term, we are working with our Bi-National partners (the US, Ontario and Michigan) to have a new or expanded crossing in place by 2013. We continue to seek out ways of accelerating this process, but we must adhere to environmental legislation in Canada and in the United States. 
 - (2) Recognizing that this will take time, we are working with the province and local governments to implement initiatives that will help improve traffic flows to existing crossings. To this end, Canada and Ontario have committed a total of \$300M and a number of important projects are underway. 

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E-4

Border Infrastructure at Windsor

For many years, the business community (e.g., truckers, manufacturers, etc.) has highlighted the need to address border infrastructure challenges in Windsor:

- Building a new international crossing between Windsor and Detroit to meet the growth in cross-border traffic, and
- Improving road access between Highway 401 and existing border crossings in Windsor (e.g., the Ambassador Bridge).

At the same time, Windsor area residents have complained about the negative impact of truck traffic on their community (e.g., pollution, noise, etc.).

The governments of Canada and Ontario have undertaken joint action to address these concerns:

- New international crossing: In May 2001, governments in Canada and the US launched a joint bi-national planning process to determine where a new international crossing between Windsor and Detroit should be built. There are a number of possibilities and private sector proponents have submitted competing proposals. The bi-national process recently entered into its environmental assessment phase, which is expected to recommend by the end of 2007 a preferred location for a new international crossing.

If all goes well, the new international crossing would come on stream in 2013. While governments (including Canada and Ontario) are doing what they can to expedite this process, it consists of time-consuming steps that are unavoidable for such a major undertaking.

Better road access: In March 2004, Canada and Ontario committed a total of \$300M towards the "Let's Get Windsor-Essex Moving" strategy. The \$150M federal contribution, which Ontario is matching, was sourced from the Border Infrastructure Fund (BIF).

Phase I of the strategy, which consists of an initial list of projects proposed by the City of Windsor, was announced at the time. The Phase I projects will absorb \$72M of the \$300M in Canada-Ontario funding (i.e., \$36M from each) and will have a very limited beneficial impact on cross-border traffic.

Negotiations to identify projects for Phase II, are underway. In January 2005, the City of Windsor released a report by a consultant that it had hired to come up with a plan to keep cross-border traffic moving, while at the same time mitigating the negative impacts of truck traffic on area residents. The report proposed a package of road, rail and ferry projects that could cost \$1B (although no firm estimates are yet available).

SECRET

WINDSOR BORDER INFRASTRUCTURE

Issue

There is pressure on the Government of Canada to do more to improve border infrastructure in Windsor to ensure the smooth flow of goods and people, and to improve the quality of life of area residents.

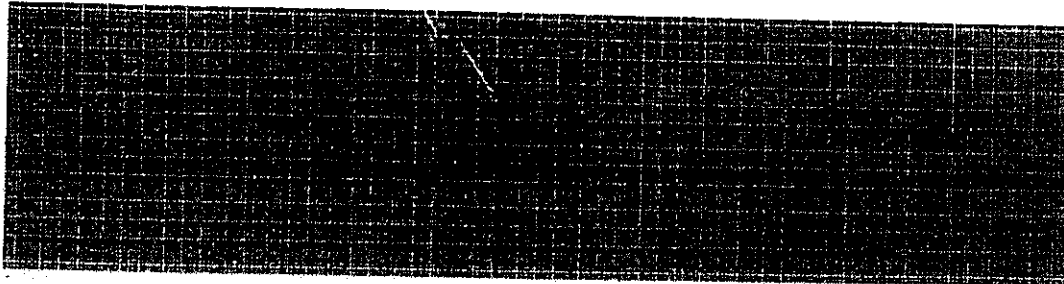
Background

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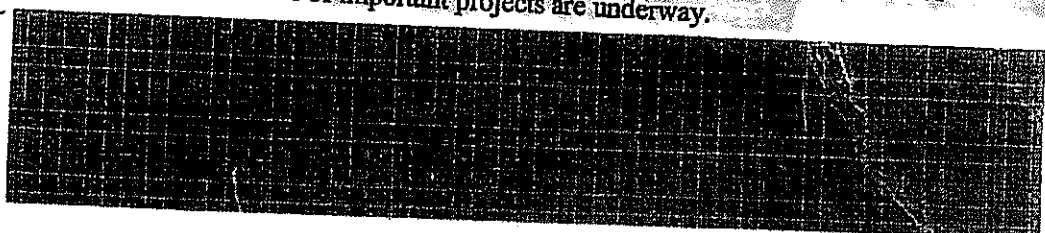
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SECRET

Suggested Talking Points

- The federal government is well aware of the critical importance of the Windsor-Detroit Gateway and the need to improve it.
 - The federal government is taking a two-pronged approach:
 - (1) For the long term, we are working with our Bi-National partners (the US, Ontario and Michigan) to have a new or expanded crossing in place by 2013. We continue to seek out ways of accelerating this process, but we must adhere to environmental legislation in Canada and in the United States. To do otherwise would, in fact, jeopardise the schedule by opening up to potential challenges regarding the environmental assessment process.
 - (2) Recognizing that this will take time, we are working with the province and local governments to implement initiatives that will help improve traffic flows to existing crossings. To this end, Canada and Ontario have committed a total of \$300M and a number of important projects are underway.
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E7

Badour, Sébastien
From: Badour, Sébastien
Sent: April 18, 2005 12:28 PM
To: Haney, Mark
Subject: Windsor

Mark,

The planned announcement for Windsor would take place on the 21st (Thursday). Canada and Ontario would announce a package of roughly \$130M to improve border infrastructure in Windsor. The package would consist of \$110M in hard projects (mainly increased capacity on Highway 401 in and around Windsor, and a rail grade-separation project) and \$20M in studies (e.g., environmental assessments of potential projects). Funding would come from the \$300M in existing Canada-Ontario funding that was initially announced in 2002.

Sébastien

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E-8

Badour, Sébastien
From: Badour, Sébastien
Sent: November 28, 2002 2:14 PM
To: Girard, Jean-François
Subject: CPR/Borealis

The CPR has a 50% ownership interest in the Detroit River Tunnel, an old rail tunnel between Windsor and Detroit. Borealis Transportation Infrastructure Trust (Borealis), a trust controlled by of the Ontario Municipal Employees Retirement System (OMERS), owns the other 50% stake, having acquired it from CN Rail in 2001.

As you may know, the CPR and Borealis have developed a \$600M proposal whereby a new rail tunnel would be built and the existing one would be converted into a truck tunnel. CPR/Borealis claim that their project would remove a significant portion of the truck traffic that currently uses Huron Church Road. Although truck tolls would be charged, they are seeking \$150M in assistance from the federal government (i.e., from the \$600M Border Infrastructure Fund (BIF)). The project could be built by 2007.

Last September, \$150M in BIF funding was committed to the Windsor area, but only to improve access to existing border crossings. The CPR/Borealis proposal is just of one of three competing proposals to build a new crossing between Windsor and Detroit (the other two are a twin span to the Ambassador Bridge and a new bridge by the Mich-Can International Bridge Company). Governments have not decided on a preferred option, as a bi-national planning process is examining the issue.

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E-9

BUSINESS TRANSPORTATION TASK FORCE

SITUATIONAL ANALYSIS

The Government of Canada has made trade facilitation and national security paramount issues. The formalization of these responsibilities and the announcement of the *Smart Border Declaration – 30 Point Action Plan* have set the stage for the immediate implementation of several imperative initiatives in border communities throughout the country.

In support of the importance of trade and a secure border, the Government of Canada announced its commitment to invest \$2 billion dollars to a *Canadian Strategic Infrastructure Fund* directed towards the development of a national infrastructure program. Further, the federal government announced a \$600 million dollar *Border Infrastructure Fund* targeted at border crossings and in response to the September 11th terrorist attack. The *Border Infrastructure Fund* will be implemented in cooperation with provincial, territorial and municipal governments and other partners and in coordination with Canada/U.S. border facility and road access networks.

It is the government of Canada's intent that both of these infrastructure funds will be flexible in order to target the funding of strategic needs in all regions of Canada and that the economic and social benefits of any infrastructure investments will accrue well beyond the location in which the investments will take place.

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1. The Canadian Transit Company, the owner of the Ambassador Bridge, would like to build a second span to the existing bridge.
2. The Detroit River Tunnel Partnership (DRTP) would like to convert the current rail tunnel (used mostly by CP Rail trains) into a two-lane truck route. A new enlarged rail tunnel would also be built nearby.
3. The Mich-Can proposal involves the construction of a new bridge to the east of the Ambassador Bridge.

Although costly (at least \$500M), a new crossing would likely be privately financed thanks to toll revenues. However, governments may be asked to fund road access to these crossings (e.g., a link to Highway 401).

Timeline of Recent Government Actions

- May 18th, 2001: The Canada-U.S.-Ontario-Michigan Border Transportation Partnership (i.e., the "bi-national planning process") was announced on that date (see attached press release). This six-stage process, which involves four levels of government (the two senior levels of government on each side of the border), is tasked with developing a long term transportation strategy that would ensure the safe and efficient movement of people, goods and services across the United States and Canadian border within the region of Southeast Michigan and Southwest Ontario, which includes the Windsor/Detroit Gateway.
- December 10th, 2001: In Budget 2001, the federal government announced that it was allocating \$600 million towards a new Border Infrastructure Fund (BIF) in order to improve the infrastructure at Canada-US border crossings.
- September 25th, 2002: The governments of Canada and Ontario signed a Memorandum of Understanding (MOU) and committed \$300M to upgrade the Ontario approaches to the existing Windsor-Detroit border crossings. The federal share of this investment (\$150M) was to come from the BIF. A Joint Management Committee, consisting of federal and provincial officials, was established to identify, consult on and recommend an Action Plan (i.e., a list of projects) to Canada and Ontario within the following 60-day period.
- December 20th, 2002: The governments of Canada and Ontario released the Joint Management Committee's Action Plan. It included projects such as the construction of a new truck-only parkway using the right-of-way of a rail line and the addition of new lanes to the EC Row Expressway. The Action Plan was not well received by the local community.
- May 27th, 2003: Following public consultations, Canada and Ontario announced a revised nine-point Action Plan (e.g., finding a new alignment (the Lauzon Parkway) for the truck-only parkway). Again, public reaction was negative.
- March 11th, 2004: After negotiations involving the federal, provincial and municipal governments, an agreement was reached on a two-phased approach to spend the \$300M that was committed in September 2002. The first phase consists of projects totalling \$70M-\$80M that are essentially local priorities [REDACTED]



Government of Canada
Gouvernement du Canada

E-11

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MEMORANDUM NOTE DE SERVICE

TO A Minister of Finance

FROM DE Ian E. Bennett

SUBJECT
OBJET

Update on Border Infrastructure Issues

This memo is for information.

As requested, this note provides you with an overview of border infrastructure issues, with an emphasis on Windsor. The case of the Peace Bridge is also discussed.

1. FEDERAL FUNDING FOR BORDER INFRASTRUCTURE

Background

Spurred by the North American Free Trade Agreement (NAFTA), trade flows between Canada and the US increased steadily throughout the 1990s, particularly those carried by truck. This led to concerns that border infrastructure was not keeping up and could negatively impact the Canadian economy. Further, the terrorist attacks that occurred on September 11th, 2001 led to widespread congestion at major Canada-US crossings.

In the December 2001 Budget, the federal government responded to these concerns by announcing the \$600M Border Infrastructure Fund (BIF). Since then, almost all of the BIF's funding has been allocated towards specific projects. Key projects include:

- **Windsor:** \$150M to improve road access to existing Windsor-Detroit crossings (see next section for more detail) and \$4M to secure CP Rail's corridor to the US border.
- **Niagara/Sarnia/Fort Erie:** \$154M in federal funding for a package of projects in these regions, including improvements to the Queen Elizabeth Way (QEW), Highway 401, Highway 402, the Queenston-Lewiston Bridge and the Peace Bridge.
- **Lower Mainland (BC):** \$90M to improve road access to the major border crossings located immediately south of Vancouver.
- **Quebec Highways:** \$51.5M for Route 173/Highway 73 (Armstrong), \$13M for Highway 35 (Philipsburg), and \$7.5M for Highway 55 (Stanstead).

François Delorme, Director (995-4486)

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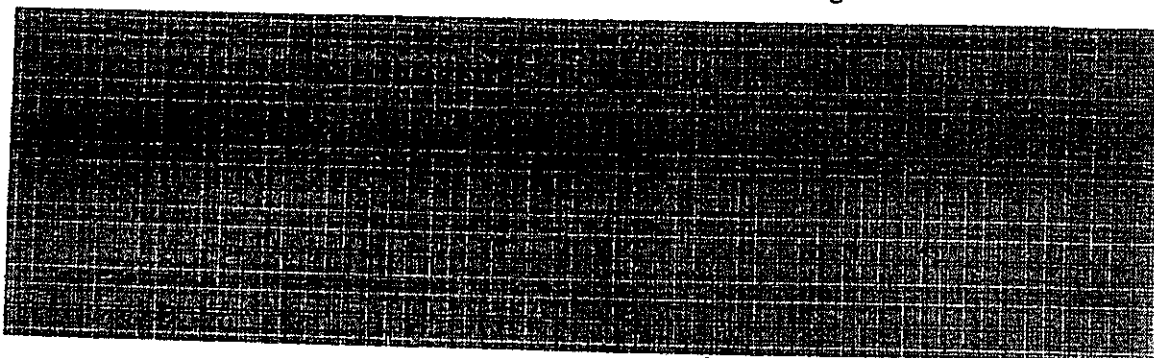
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- 2 -

Considerations Going Forward

The commitments to date under the BIF have addressed the most pressing border infrastructure needs. **Further, it is important to note that most delays at the border are not caused by inadequate infrastructure.** For example, a 2003 study by university researchers from Michigan found that border delays were costing the US and Canadian economies between US\$7.5B and US\$13.2B annually and were mainly the result of **inadequate customs' staffing levels**, particularly on the US-side.

Still, over the longer term, infrastructure capacity will need to be expanded at certain border crossings if traffic levels do grow. The government, during the last election campaign, stated that it would launch a new Highways and Border Infrastructure Fund (HBIF) with \$2B in funding over five years (including \$600M in the fifth year). It also signalled its intention to renew the BIF at least at current funding levels.

2. WINDSOR

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Background / Challenges

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Windsor-Detroit is Canada's most important gateway, as it accounts for one-third of Canada-US trade carried by truck (in value terms). The key crossing at this gateway is the Ambassador Bridge, which carries 95% of the truck traffic and 50% of the passenger car traffic (the Detroit-Windsor Tunnel accounts for the rest). After years of strong growth, since 2000 traffic levels for passenger cars and trucks between Windsor and Detroit have **declined** by 30% and 3%, respectively:

- Passenger cars: Visits to Windsor by Americans have fallen sharply due to the strong Canadian dollar and the opening of new casinos in Michigan.
- Trucks: The Ambassador Bridge has lost traffic to the nearby Blue Water Bridge, which links Sarnia with Port Huron. For long-haul truck traffic (e.g., London to Detroit or Chicago), the time and distance differences between the two crossings are very small. The Blue Water Bridge also has excess capacity.

Going forward, there are two main border infrastructure challenges:

- Road Access to/from the Ambassador Bridge: Currently, trucks transiting between the Ambassador Bridge and Highway 401 must use city arterial roads that go through the heart of the City of Windsor. This results in quality of life concerns (e.g., about pollution, noise and accidents) and strong pressure from the City of Windsor to get truck traffic away from residential areas. In addition, traffic forecasts

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predict that, by 2015, the capacity of these arterial roads will not be sufficient to meet demand (by both local and international traffic), thereby producing delays.

- **New Crossing Capacity:** At this time, the Ambassador Bridge and the Windsor-Detroit Tunnel have sufficient capacity to meet demand. Further, the recent addition of new customs booths on the US side to process commercial traffic from Canada have reduced border delays by more than 80% over the past two years (from an average of 25 minutes to less than 5 minutes). The diversion of truck traffic to the Blue Water Bridge has also helped. However, assuming traffic levels begin to grow again, the Ambassador Bridge is expected to run out of capacity by 2020, and thus new border capacity (e.g., a new crossing) will be needed by then.

Actions to Date

Governments in Canada have been aware of border infrastructure challenges in the Windsor area and have taken a number of steps to address them:

- **Road Access to/from the Ambassador Bridge:** In September 2002, Canada announced a \$150M contribution from the BIF to improve road access to the existing border crossings (i.e., the Ambassador Bridge and the Windsor-Detroit Tunnel). Ontario agreed to match the amount. However, it was not until March 2004 that the three levels of government agreed on an initial list of projects as part of Phase 1 of the *Let's Get Windsor-Essex Moving Strategy* (e.g., Walker Road rail grade separation, improvements to the Windsor-Detroit Tunnel Plaza, etc.). In April 2005, Canada and Ontario announced further projects under Phase 2 of the strategy, including the widening of Highway 401 in Windsor, the Howard Avenue rail grade separation and environmental assessments of potential road projects. These projects combined will absorb most of the \$150M commitment from the BIF.
- **New Crossing Capacity:** Cognisant of the need to plan ahead, Canada, the US, Ontario and Michigan launched in May 2001 a bi-national planning process to determine where new border capacity should be built in Windsor-Detroit (there were many potential locations) and how it should be linked to the highway network (e.g., Highway 401). In November 2005, as part of the on-going environmental assessment (EA) phase for a new crossing, the bi-national process announced that, on the Canadian side, the new crossing and road link should be located in the industrial area of West Windsor and that competing proposals (e.g., twinning the Ambassador Bridge, converting an existing rail tunnel to one for trucks, etc.) were no longer being considered. The exact location in West Windsor should be determined by mid-2007 and, if all goes well, the new capacity would come on stream by 2013 (i.e., ahead of need).

Considerations Going Forward

From our perspective, the key considerations going forward are:

- **Need to Respect the EA Process:** Governments in Canada and the US must adhere to their EA legislation (e.g., consider all potential locations).